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Arizona Corporation Commission

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Lanny L. Zieman
Staff Attorney
Air Force Utility Law Field Support Center
139 Barnes Drive Ste. 1
Tyndall AFB FL 32403
(850) 282-8863

E-01345A-16-0036
E-01345A-16-0123

Attached please find the Federal Executive Agencies (FEA) Settlement Testimony of
Amanda M. Alderson for filing in the above-referenced proceeding.

Copies have been served to all parties on the attached Certificate of Service. Please place
this document on file.

Attorneys for Federal Executive Agencies

By:

Andrew J. Unsicker

~~Lanny L. Zieman~~

Natalie A. Cepak

Thomas A. Jernigan

AFLOA/JACE-ULFSC

139 Barnes Drive, Suite 1

Tyndall Air Force Base, Florida 32403

Org box E-mail: ULFSC.Tyndall@us.af.mil

Attach:

FEA's Settlement Testimony of Amanda M. Alderson

1 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A My testimony will comment on the Proposed Settlement Agreement ("Agreement")
3 filed on March 27, 2017 by the Staff of the Arizona Corporation Commission ("Staff")
4 in Docket No. E-01345A-16-0036, the Arizona Public Service Company ("APS" or
5 "Company") base rate case, on behalf of nearly 30 intervening parties, including FEA.

6 FEA is a signatory to this Agreement because we believe it is a reasonable
7 compromise to many complex issues in this rate case. Approval of this Agreement
8 will avoid unnecessary litigation expense, provide for a fair, just and reasonable
9 resolution of a revenue increase needed to provide the Company full recovery of its
10 cost of service, while also mitigating the rate burden to customers.

11 **Q ON WHOSE BEHALF ARE YOU TESTIFYING?**

12 A My testimony is presented on behalf of the FEA, which consists of certain agencies of
13 the United States Government which have offices, facilities, and/or installations in the
14 service area of APS and purchase electric utility service from APS. The FEA facilities
15 include local post offices, recruitment offices, and numerous other local federal
16 buildings. Two of the largest FEA facilities served by APS are Luke Air Force Base
17 and Marine Corps Air Station Yuma.

18 **Q PLEASE SUMMARIZE THE COMPANY'S ORIGINAL FILED REQUEST.**

19 A APS filed on June 1, 2016 for an electric base rate increase to take effect on July 1,
20 2017, and an additional 2% across-the-board increase to take effect in 2019. APS
21 requested a gross base rate revenue increase of \$433.4 million (15%), which
22 includes \$267.6 million of rider revenue that APS sought to roll into base rates. The

1 net revenue increase originally proposed by APS was \$165.9 million, or 5.74% of
2 total revenue. This is the Company's first full base rate case since 2011.

3 **Q PLEASE DESCRIBE THE SETTLEMENT AGREEMENT.**

4 A The Agreement provides for a \$94.624 million net revenue increase, or a
5 \$71.26 million (43%) reduction from the original net revenue increase request,
6 effective on the date of the Arizona Corporation Commission's ("Commission")
7 Decision in this case. The Agreement also allows for a follow-on base rate
8 adjustment no later than January 1, 2019 to recover the Four Corners Selective
9 Catalytic Reduction environmental retrofit expenditure. The Company's originally
10 proposed spread of the revenue increase across customer classes is largely
11 maintained in the Agreement, but with certain carve-outs for special purpose
12 customers, meaning that the nearly 50% reduction off of the original \$165.9 million
13 revenue increase is shared equitably across all retail customer classes.

14 **Q HOW IS THE AGREEMENT A COMPROMISE AMONGST THE INTERVENING**
15 **PARTIES?**

16 A The Agreement resolves the highly complex issues in the case concerning the
17 Company's revenue requirement, the revenue spread across rate classes, and
18 ultimately the design of rates. FEA agrees to the total settlement in aggregate, rather
19 than individual elements of the settlement which comprise specific findings on
20 revenue requirement, cost of service and rate design. I believe this rate settlement
21 represents a reasonable compromise on these complex issues, and the ultimate rates
22 that will be imposed on retail customers are reasonable.

1 Importantly, specific elements of the settlement revenue requirement or cost
2 of service are only reasonable in the context of the entire settlement. Therefore, I will
3 not comment on specific elements of the settlement, but rather the aggregate
4 settlement itself. Based on the entire settlement, consisting of a revenue
5 requirement, revenue spread and cost of service, I believe that the settlement is just
6 and reasonable because it provides fair consideration to the Company to fully recover
7 its cost of service while receiving fair compensation, while creating no more than a
8 reasonable burden on customers to achieve this full cost recovery. For these
9 reasons, I recommend the Commission adopt the Agreement.

10 **Q PLEASE SUMMARIZE FEA'S POSITION REGARDING THE SETTLEMENT**
11 **AGREEMENT.**

12 A FEA supports the Agreement as a reasonable result in this APS base rate
13 proceeding, and recommends the Commission approve the Agreement. FEA
14 believes this Agreement is an acceptable compromise to many of the issues in this
15 very large case, where the interests of all retail customers were fully represented.

16 **Q DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

17 A Yes, it does.

CERTIFICATE OF SERVICE

Service List for Docket No. E-01345A-16-0036
E-01345A-16-0123

I HEREBY CERTIFY that a true and correct copy of FEA's Settlement Testimony has been furnished by electronic mail (e-mail) and/or U.S. Mail this 3rd day of April, 2017 to the following:

Arizona Center For Law In The Public Interest Timothy Hogan 514 W. Roosevelt Street Phoenix, Arizona 85003 schlegalj@aol.com ezuckerman@swenergy.org bbaatz@aceee.org briana@votesolar.org thogan@acipi.org ken.wilson@westernresources.org	Arizona Corporation Commission Janice Alward Thomas Broderick Dwight Nodes 1200 W. Washington Phoenix, Arizona 85007 HearingDivision@azcc.gov
Moyes Sellers & Hendricks, Ltd Jay Moyes JasonMoyes@law-msh.com jimoyes@law-msh.com jim@harcuvar.com	Arizona Community Action Association Cynthia Zwick 2700 N. Third Street 2040 Phoenix, Arizona 85004
Ruco Daniel Pozefsky 1110 West Washington, Suite 220 Phoenix, Arizona 85007	IO Data Centers, LLC Anthony Wanger 615 N. 48 th Street Phoenix, Arizona 85008
Snell & Wilmer, LLP Michael Patten One Arizona Center Phoenix, Arizona 85004 mpatten@swlaw.com jhoward@swlaw.com docket@swlaw.com bcarroll@tep.com	Munger Chadwick Greg Patterson 916 W. Adams Suite 3 Phoenix, Arizona 85007
Osborn Maladon, PA Meghan Grabel 2929 N. Central Avenue, Suite 2100 Phoenix, Arizona 85012	Hienton & Curry, PLLC Scott Wakefield 2394 E. Camelback Rd, Suite 600 Phoenix, Arizona 85014

mgrabel@omlaw.com gyaquinto@arizonaic.org	swakefield@hclawgroup.com mlougee@hclawgroup.com stephen.chriss@wal-mart.com greg.tillman@wal-mart.com chris.hendrix@wal-mart.com
Lubin & Enoch, PC Nicholas Enoch 349 N. Fourth Avenue Phoenix, Arizona 85003	Richard Gayer 526 W. Wilshire Drive Phoenix, Arizona 85003 rgayer@cox.net
Boehm, Kurtz & Lowry Kurt Boehm 36 De. Seventh Street. Suite 1510 Cincinnati, OH 45202	Patricia Ferre P.O. Box 433 Payson, Arizona 85547
Kamper Estrada, LLP Giancarlo Estrada 3030 N. 3 rd Street, Suite 770 Phoenix, Arizona 85012	Fennemore Craig, LLC Patrick Black 2394 E. Camelback Road, Suite 600 Phoenix, Arizona 85016 wcrocket@fclaw.com pblack@fclaw.com khiggins@energystrat.com
Pinnacle West Capital Corporation Thomas Loquvam 400 N. 5 th Street, MS 8695 Phoenix, Arizona 85004	Janice Alward Thomas Broderick Dwight Nodes 1200 W. Washington Phoenix, Arizona 85007
John Moore, Jr. MOORE BENHAM & BEAVER, PLC 7321 N. 16th Street Phoenix, Arizona 85020	Arizona Solar Energy Industries Association Tom Harris 2122 W. Lone Cactus Drive, Suite 2 Phoenix, Arizona 85027 tom.harris@ariseia.org
Sun City Home owner Association Greg Eisert 10401 W. Coggins Drive Sun City, Arizona 85351 gregeisert@gmail.com steven.puck@cox.net	Sun City West Property Owners & Resident Association Albert Gervenack 13815 Camino Del Sol Sun City, Arizona 85372 al.gervenack@porascw.org rob.robbs@porascw.org
Lawrence Robertson Jr. 210 Continental Road, Suite 216A Green Valley, Arizona 85622	Pima County Attorney's Office Charles Wesselhoft 32 North Stone Avenue, Suite 2100 Tucson, Arizona 85701 charles.wesselhoft@pcao.pima.gov
Craig A. Marks, PLC Craig marks 10645 N. Tatum Blvd	Rose Law Group, PC Court Rich 7144 E. Stetson Drive, Suite 300

Phoenix, Arizona 85028 craig.marks@azbar.org pat.quinn47474@gmail.com	Scottsdale, Arizona 85251
Warren Woodward 55 Ross Circle Sedona, Arizona 86336 w6345789@yahoo.com	Federal Executive Agencies Thomas A. Jernigan Andrew J. Unsicker Lanny L. Zieman Natalie A. Cepak Ebony M. Payton AFCEC/JA-ULFSC 139 Barnes Drive, Suite 1 Tyndall AFB, FL 32403 Thomas.Jernigan.3@us.af.mil Andrew.Unsicker@us.af.mil Lanny.Zieman.1@us.af.mil Natalie.Cepak.2@us.af.mil Ebony.Payton.ctr@us.af.mil

Dated this 3rd day of April, 2017.

Attorneys for Federal Executive Agencies

By: 

Andrew J. Unsicker

Lanny L. Zieman

Natalie A. Cepak

Thomas A. Jernigan

AFLOA/JACE-ULFSC

139 Barnes Drive, Suite 1

Tyndall Air Force Base, Florida 32403

Org box E-mail: ULFSC.Tyndall@us.af.mil

(850) 283-6347

Andrew.Unsicker@us.af.mil

Lanny.Zieman.1@us.af.mil

Natalie.Cepak.2@us.af.mil

Thomas.Jernigan.3@us.af.mil